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ONE HUNDRED SEVENTH CONGRESS

Congress of the United States

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Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Dear Mr. Chairman and Other Commissioners:

As Chairman of the Subcommittee on Energy Policy, Natural Resources and Regulatory Affairs, with jurisdiction over the Federal Energy Regulatory Commission (FERC), I am writing to inform you of my intent to introduce legislation. This legislation will help prevent unjust and unreasonable electricity rates in California specifically and in the other Western States at large.

The energy crisis facing California is the single greatest threat to the economic well-being of California in decades. According to the North American Electric Reliability Council, California will be 4,500 to 5,500 megawatts (MW) short of power during peak demand periods this summer, resulting in up to 15 hours of blackouts per week. Industry experts predicted summer blackouts will cost California \$21.8 billion in lost output and eliminate 135,000 jobs. The human suffering will be equally severe. Blackouts will cause real hardship and even death when temperatures reach their peak this summer.

While I appreciate FERC's efforts to find solutions to the energy crisis in California, this unprecedented crisis demands bold action. FERC's April 26, 2001, market mitigation plan for California was a good first step towards reducing skyrocketing wholesale energy prices. However, I strongly encourage FERC to improve on this market mitigation plan by expanding it to the entire Western region at all times of the day. Such an order should include a must-sell provision similar to the must-sell mandate in the April 24th order. Also, to prevent megawatt laundering, electricity marketers need to be included in the market mitigation plan and prevented from selling at rates above the market clearing price.

Outages at generating plants have proven to be a major problem in California, helping to drive up prices to astronomical levels. Outages in California are currently averaging close to 12,000 MW on a daily basis. Historically, outages account for only 3,000-4,000 MW at this time of year. I recognize the unusual circumstances, in which old plants

operated overtime to provide power to California last summer and this winter that have contributed to higher than normal outage rates. However, I also recognize that the withholding of power is a simple way for generators to drastically increase electricity prices on the spot market. FERC may not have the resources to investigate every outage in order to prevent withholdings. Please report to Congress on ways in which the Federal government can insure that withholdings and poorly-timed outages do not occur in the future.

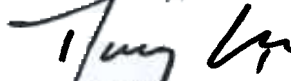
I intend to introduce legislation shortly that will do the following:

- direct FERC to expand its market mitigation plan to the Western System Coordinating Council territory in the United States
- direct the mitigation plan to be in effect 24 hours a day, 7 days a week for the real time market (24 hours or less)
- prevent megawatt laundering
- repeal the 60-day delay in FERC's ability to consider refunds when it finds unjust and unreasonable prices
- penalize generators, that charge unjust and unreasonable rates, by giving FERC new authority to assess penalties above the exact amount of overcharge
- require FERC to report to Congress on how to improve FERC's oversight to investigate and coordinate power plant outages
- provide the Secretary of Energy with the authority to revoke the market mitigation plan if the plan results in decreased supply or increased demand for electricity
- sunset the market mitigation plan on September 30, 2002.

The purpose of my legislation is to provide a cooling off period until new supplies are on-line and long-term solutions can be implemented. The legislation is a compromise proposal that will ensure just and reasonable rates, discourage price gouging, and encourage investments in efficient, low cost power generation. The majority of my proposals can be initiated by FERC without new legislation. Therefore, I urge FERC to implement these ideas as soon as possible to provide immediate relief to the Western market.

If you have any questions about this request, please call Subcommittee Staff Director Dan Skopec on (202) 225-4407. Thank you for your attention to this request.

Sincerely,



Doug Gise

Chairman

Subcommittee on Energy Policy, Natural
Resources and Regulatory Affairs

cc The Honorable Dan Burton
 The Honorable John Tierney
 California Congressional Delegation